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May 23, 2014

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From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE ON THE WATER RESOURCES REFORM AND DEVELOPMENT ACT

This memorandum is to provide the Board with an update on the Water Resources Reform and Development Act (WRRDA) of 2014, which reauthorizes Army Corps of Engineers ("Corps") water projects and activities. On May 22, 2014, the Senate adopted, 91 to 7, the conference report on the WRRDA bill (H.R. 3080), sending it to the President, who is expected to sign it into law. The House adopted the conference report on a 412 to 4 vote on May 20, 2014.

Highlights of WRRDA Bill (H.R. 3080)

The Corps is responsible for planning, building, operating, and maintaining water resources facilities, including those which support navigation, reduce flood and storm damage, and protect the environment. The Water Resources Development Act (WRDA) historically has been the legislative vehicle for authorizing funding and policies governing Corps projects and activities. A biennial cycle was used to enact WRDA six times between 1988 and 2000, but, since 2000, WRDA reauthorization legislation has been enacted only in 2007.

H.R. 3080 will be the first water resources authorization bill enacted since Congress instituted a ban on Congressional earmarks of projects. The conference report complies with the ban on earmarks by not authorizing any specific construction projects unless they are projects with completed feasibility studies which also have been recommended by the Army Corps of Engineers ("Corps"). The conferees also authorized only project modifications which had been recommended by the Corps. The final bill does not include County-supported language in the Senate WRRDA bill, which

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would have modified the Los Angeles County Drainage Area Project, to authorize the Corps to conduct studies of flood risk reduction, ecosystem restoration, and recreation in the Compton Creek watershed because this modification had not been requested by the Corps.

H.R. 3080 authorizes only 34 specific new projects and modifications to only nine existing projects for which the Corps has recommended funding. The Congressional Budget Office (CBO) estimates that it would cost \$12.3 billion over the next 10 years if Congress were to appropriate full funding for all Corps projects and activities authorized by the bill, which is highly unlikely. The CBO did not assume any savings from the bill's deauthorization of \$18 billion of old, inactive projects authorized prior to the 2007 WRDA Act that neither have been constructed nor have received any funding in the past six years.

Other highlights of the final WRRDA bill include:

Project Selection: Establishes a new process for authorizing Corps water projects under which the Corps annually would request proposals from non-Federal entities, such as counties, and submit a list of proposed projects that meet specified criteria to Congress, which, in turn, would decide which ones to authorize and fund.

Project Streamlining: Accelerates the completion of projects, such as by: consolidating studies and eliminating duplicate analyses; setting a three-year time limit on the completion of feasibility studies, which are to be concurrently reviewed by the Corps' district, division, and headquarter levels; streamlining environmental reviews; and expediting the evaluation and processing of permits.

Non-Federal Role: Expands the role of non-Federal entities (including state and local governments) in water projects, such as by allowing non-Federal entities to fund and carry out studies, construction, and operation and maintenance of projects, and to take the lead in coordinating environmental reviews. Non-Federal entities also would be provided credit for contributions and work on projects, including credit for in-kind contributions and for contributions that exceed required non-Federal share of costs.

Levee Vegetation: The Corps is required to conduct a comprehensive review of its current levee vegetation guidelines in consultation with outside parties (including representatives of local governments), and to revise its guidelines, based on the review's recommendations. Until new guidelines are adopted, the Corps is prohibited from requiring the removal of vegetation as a condition or requirement for any approval or funding of a project or any other action, unless specific vegetation has been demonstrated to present an unacceptable safety risk.

Levees and Flood Control: Requires the Corps to conduct a national levee safety initiative, authorizes the Corps to evaluate a levee owned by a non-Federal entity, and provides that a levee system shall be eligible for Federal rehabilitation assistance as long as its sponsor continues to make satisfactory progress in correcting levee deficiencies.

Reservoir Operations and Water Supply: Requires the Corps to assess whether Corps reservoirs and dams located in arid regions, such as in California, can be managed more flexibly during droughts to increase water supply, including through the capture of stormwater.

Water Infrastructure Finance and Innovation Authority (WIFIA): Creates a WIFIA pilot project, which is modeled after the successful "TIFIA" program for providing low-cost credit for financing surface transportation projects. The WIFIA pilot project would provide credit assistance for drinking water, wastewater, and other water resources infrastructure projects.

Harbor Maintenance Trust Fund (HMTF): Reforms the HMTF, which is financed by user fees collected from shippers, and which helps to finance the cost of dredging channels, maintaining jetties and breakwaters, and other operations and maintenance that benefit our nation's ports, including the Ports of Los Angeles and Long Beach. The bill gradually increases the percentage of annual fee revenue that is spent on operations and maintenance from 67 percent in Federal Fiscal Year (FFY) 2015 to 100 percent in FFY 2025 and subsequent years. It also includes language in the Senate bill, which was authored by Senator Boxer, that would provide additional HMTF funding to certain larger ports, such as the Ports of Long Beach and Los Angeles, and allow those ports to spend the additional funding on certain expanded uses, including the dredging of berths and the dredging and disposal of contaminated sediment.

We will continue to keep you advised.

WTF:RA
MR:MT:ma

c: All Department Heads
Legislative Strategist